



General Assembly

Substitute Bill No. 6924

January Session, 2001

AN ACT CONCERNING EXTENDED WARRANTIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 42-260 of the general statutes is repealed and the following
2 is substituted in lieu thereof:

3 (a) As used in this section:

4 (1) "Extended warranty" means a contract or agreement [for repair
5 service] to perform or provide indemnification for the repair,
6 replacement or maintenance of property because of operational or
7 structural failure of a product due to a defect in materials, skill or
8 workmanship or normal wear and tear given for consideration over
9 and above the lease or purchase price of a product.

10 (2) "Extended warranty provider" means a person who issues,
11 makes, provides or offers to provide an extended warranty to a buyer
12 and who is contractually obligated to provide service under such
13 extended warranty, excluding a retail seller of an extended warranty if
14 such seller: (A) Is the manufacturer of the product covered under the
15 extended warranty; (B) sells or offers an extended warranty for a
16 product obligating the manufacturer, distributor or importer to
17 provide the service of the extended warranty; or (C) performs at least
18 ninety per cent of the repair service provided to buyers pursuant to
19 extended warranties purchased from such seller.

20 (3) "Buyer" means a person who purchases an extended warranty
21 from an extended warranty provider.

22 (4) "Extended warranty reimbursement insurance policy" means a
23 policy of insurance providing coverage for all obligations and
24 liabilities incurred by an extended warranty provider under the terms
25 of the extended warranty sold to a buyer by such provider.

26 (b) An extended warranty shall obligate the extended warranty
27 provider to supply to the buyer all services and functional parts that
28 may be necessary to repair the product for the duration of the
29 extended warranty without additional charge, except as otherwise
30 expressly provided.

31 (c) An extended warranty shall contain all of the following:

32 (1) A clear description and identification of the product;

33 (2) The date when the extended warranty commences and its
34 duration, and, if the extended warranty is for less than one year, the
35 extended warranty shall include a provision for the automatic
36 extension of the extended warranty while the product is in the custody
37 of the extended warranty provider for repair under such warranty;

38 (3) A description of the limits on transfer or assignment of the
39 extended warranty if the enforceability of an extended warranty is
40 limited to the original buyer or is limited to persons other than every
41 consumer owner of the covered product during the term of the
42 extended warranty;

43 (4) A statement of the obligation of the extended warranty provider
44 including statements of: (A) Any services, parts, components, defects,
45 malfunctions, conditions, repairs or remedies that are excluded from
46 the scope of the extended warranty; (B) any limits on the obligations of
47 the extended warranty provider; (C) any additional services which the
48 extended warranty provider will supply; (D) whether the buyer has
49 the responsibility of any other obligations and, if so, the nature and

50 frequency of such obligations, and the consequences of any
51 noncompliance;

52 (5) A step-by-step explanation of the procedure which the buyer
53 shall follow in order to obtain performance of any obligation under the
54 extended warranty including: (A) The full legal and business name of
55 the extended warranty provider; (B) the mailing address of the
56 extended warranty provider; (C) the persons or class of persons that
57 are authorized to perform service; (D) the name or title and address of
58 any agent, employee or department of the extended warranty provider
59 that is responsible for the performance of any obligations; (E) the
60 method of giving notice to the extended warranty provider of the need
61 for service; (F) whether in-home service is provided or, if not, whether
62 the costs of transporting the product for service or repairs will be paid
63 by the extended warranty provider; (G) if the product must be
64 transported to the extended warranty provider, either the place where
65 the product may be delivered for service or repairs or a toll-free
66 telephone number which the buyer may call to obtain that information;
67 (H) all other steps which the buyer must take to obtain service; and (I)
68 all fees, charges and other costs that the buyer must pay to obtain
69 service;

70 (6) A description of the services the extended warranty provider
71 will supply under the extended warranty that contrasts such services
72 with the services offered under any other express or implied warranty
73 included as part of the purchase price of the product; and

74 (7) A statement of a right to cancel the warranty if the buyer returns
75 the product or the product is sold, lost, stolen or destroyed, or a
76 statement that there is no right to cancel.

77 (d) (1) An extended warranty shall not be issued, sold or offered for
78 sale unless the extended warranty provider is insured under an
79 extended warranty reimbursement insurance policy issued by an
80 insurer authorized to do business in this state or the extended
81 warranty provider can demonstrate that reserves for claims contained

82 in the provider's financial statements are not in excess of one-half of a
83 provider's audited net worth. If such reserves are in excess of one-half
84 of a provider's net worth, the reserves shall be held in trust by an
85 independent trustee and certified annually as adequate by an actuary.

86 (2) The extended warranty reimbursement insurance policy shall
87 cover the obligations under the extended warranty sold by the
88 extended warranty provider during the period of time that such
89 provider's insurance policy is in force.

90 (e) An extended warranty provider shall submit to the [Insurance]
91 Commissioner of Consumer Protection: (1) A copy of the extended
92 warranty form issued by said provider; and (2) a copy of said
93 provider's extended warranty reimbursement insurance policy form
94 issued by an insurer authorized to do business in this state or a
95 certification by a certified public accountant attesting to the adequacy
96 of the reserves for claims reported on said provider's financial
97 statements or contained in said provider's trust account.

98 (f) (1) An extended warranty shall contain the name and address of
99 the insurers insuring the obligations and liabilities of such warranty
100 and instructions on how the buyer, or successor to the buyer's rights,
101 of the product may file a claim with the insurer if the extended
102 warranty provider fails to perform according to the terms of the
103 extended warranty.

104 (2) An insurer of an extended warranty shall not refuse to renew
105 any policy unless such insurer or its agent shall send, by registered or
106 certified mail or by mail evidenced by a certificate of mailing or
107 delivery to the [Insurance] Commissioner of Consumer Protection, at
108 least sixty days' advance notice of its intention not to renew. The notice
109 of intent not to renew shall state or be accompanied by a statement
110 specifying the reason for such nonrenewal.

111 (g) The [Insurance] Commissioner of Consumer Protection shall
112 develop regulations, in accordance with chapter 54, implementing an
113 arbitration process to settle disputes arising from extended warranty

114 contracts between extended warranty providers and buyers.

115 (h) Nothing in this section shall apply to a home warranty contract
116 or home warranty service agreement, as defined in section 38a-320,
117 [automobiles] or regulated utilities.

118 (i) The extended warranty provider shall provide the buyer a copy
119 of the extended warranty contract at the point of sale before the buyer
120 signs such contract.

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